



June 25, 2012

**Ms. Amy Bender**  
**Deputy Division Chief**  
**Telecommunications Access Policy Division**  
**Wireline Competition Bureau**  
**Federal Communications Commission**  
**445 12th Street SW**  
**Washington, DC 20554**

Re: Request for Additional Information – Allband Petition for Waiver of Part 54.302 and Framework to Limit Reimbursable Capital and Operating Costs

Dear Ms. Bender:

Thank you for the opportunity to submit the following analysis and data in response to your email dated June 15, 2012 (**Attachment 1**). I have responded to your inquiry in the order it was submitted. Please note that several of our answers are supplanted with Attachments.

**1. Audited financial statements for 2011.**

Please see **Attachment 2**.

**2. More details on corporate operations expenses and the growth of company (copies of any materials provided to RUS regarding expenditures).**

Allband's corporate operating expenses consist of (a) expense allocated to executive payroll (b) accounting expense (both internally and externally, i.e. auditing expense (c) cost study expense (d) legal expense (e) insurance expense and (f) general & admin expense.

Operating expenses totaling approximately \$430K in 2009, up from \$230K in 2008 were due to several factors which included, new outside plant and office staff (the cooperative was previously run by two people), administrative office leasing and expenses, marketing efforts to increase subscribership, legal expenses due to unfounded legal challenges from an ex-board member which led to a thorough analysis of the Cooperative's Board and Management general policies, higher cost study expenses and legal expenses related to regulatory waivers.

Operating expenses decreased in 2010 to \$378K due to a reduction in legal expenses and improved operating efficiencies.

Operating expenses again increased in 2011 to approximately \$415K due primarily to higher than anticipated legal and consulting fees to due to USF regulatory reform and inquiries.

**Allband Communications Cooperative**

**7251 Cemetery Rd. • Curran, MI 48728 • Phone: 989-369-9999 • Email: [info@allband.org](mailto:info@allband.org) • [www.allband.org](http://www.allband.org)**

**3. *More details on accounts payable (who are these payable to).***

Please see **Attachment 3** for an itemized list of payables, which ties to Allband's 2009, 2010 and 2011 audited financials. Please note that a [REDACTED] payable was accrued by the auditor for Allband's NECA 2011 true-up in its 12-31-2010 audit which is not included in the 12-31-2010 payables in Attachment 3.

**4. *More details on materials and supplies on hand, i.e. inventory list summarized by types of materials and supplies (year end 2011 or current, whichever is easier), dollar amount of fiber in service, and RUS requirements regarding spares.***

Please see **Attachment 4** for year-end 2011 inventory as submitted for Allband's 2011 audited financials. As of year-end 2011, Allband had \$203,088.81 worth of materials and supplies. Allband maintains a network equipment inventory at its central office totaling \$75,362.55 and retained \$48,921.11 in fiber optic cable.

Per RUS rules, borrowers must maintain a set of spare network cards to ensure network redundancy and prompt equipment failure recovery. More specifically, spares are kept on hand for Allband's soft switch and optical line terminal equipment.

Per our 2011 Audit (**Attachment 2**), page 10, number 2, Allband showed \$5,648,749 on its books for fiber optic cable assets in service.

**5. *Copies of loan agreements with [REDACTED]***

Please see **Attachment 5**.

***Summarize in ex parte what was discussed and provide more details as indicated:***

**6. *The details regarding the ownership of the one building which is used as a central office/storage space and the leasing of the second building which is used for administrative space and that Allband leases the building and equipment to install fiber (vehicles, backhoe, ploughs) from Northeast Michigan.***

At the end of 2008, Allband management began assessing the operational autonomy of the cooperative. The cooperative's ability to operate efficiently and effectively during post loan years and without outside plant contractor assistance became a concern. More specifically, the cooperative needed to equip itself to handle outside plant requirements and properly staff the cooperative to maintain a high level of quality service while actively pursuing the growth of the cooperative.

Allband's RUS Loan did not allocate enough funds to purchase equipment needed for outside plant construction and maintenance. In 2009, Allband entered into a leasing relationship with [REDACTED] and is now

**Allband Communications Cooperative**

equipped to handle main line fiber construction, service drops, fiber splicing and general maintenance.

Additionally, Allband quickly outgrew the ability to use its loan funded central office for administration, and in order to ensure a high level of customer service and maintain growth, Allband leased land and a larger administrative/garage facility near its central office.

Allband was fortunate that it was able to secure leases, considering that most banks and leasing companies in this financial climate would be hard-pressed to offer the same leases that Allband acquired from [REDACTED].

7. *Loans from [REDACTED] were obtained to cover operating expenses, and loans are expected to be paid off in next several months. Terms were negotiated between Ron and the Board.*

On December 31, 2007 the Allband Communications Cooperative Board of Directors approved and issued an unsecured promissory note to [REDACTED] for access to [REDACTED] in operating capital. Additionally, an unsecured amendment for [REDACTED] was added to this note to reimburse [REDACTED] for Board of Director approved health insurance. Due to the cash flow challenges of the cooperative at the time, [REDACTED] volunteered to pay his own insurance premiums until the cooperative could afford to start paying his premiums and then reimburse him for past payments. This repayment was added to his December 31, 2007 note in October of 2008.

On August 14, 2009, the Allband Board of Directors approved a second unsecured note for [REDACTED] from [REDACTED]. This note was issued for funds needed to pay 2009 annual property taxes. At that time, Allband did not have the funds required to pay the full balance of the taxation and was in the process of correcting its budget so that cash could be accrued for payment throughout the year. Because the original loan forecast did not include this high level of taxation, Allband continued to struggle with the large payable which intensified cash flow difficulties in 2009 due to a smaller than expected federal recovery. [REDACTED] again understood the cooperative's immediate financial needs and graciously loaned another [REDACTED] to the cooperative.

In January of 2010, [REDACTED] again offered working capital to the cooperative for fees associated with the marketing activities needed to increase the Cooperative's access lines. Allband had to quickly improve its marketing reach and hired a professional firm called CAP to survey, visit, call, write and seek out new subscribers in the Robbs Creek Exchange. [REDACTED] loaned the cooperative additional funds to pay CAP and an amendment for [REDACTED] was added to [REDACTED] August 12, 2009 note. Finally, in the same amendment, [REDACTED] in travel reimbursements was added to [REDACTED] August 12, 2009 note for a critical trip to Washington D.C. where Allband met with the FCC and RUS.

## **Allband Communications Cooperative**

████████████████████ has donated much of his valuable time to Allband and still desires to see Allband continue its mission of serving the unserved. Since the cooperative was started, ██████████ has remained the only member to invest money in the cooperative and has single-handily saved the cooperative from financial hardship on several occasions.

██████████ loans will be paid in full by the end of July 2012. Allband's USF amounts are not impacted by any of these loans, the payoff of the loans or the interest paid on the loans.

8. ***RUS provided some financing for operating expenses (confirm that's the difference between the draw on the RUS loan as of December 31, 2010, and the reported gross plant including telecommunications plant under construction).***

Per **Attachment #6**, RUS approved ██████████ in operating capital from Allband's loan to assist with start-up funds needed to operate Allband in its initial years of development. Since USF recovery is a retroactive mechanism, start-up funds were required while Allband obtained necessary USF waivers from the FCC and worked with NECA to be included in the pool. This information supports how dependent Allband was and still is, on its USF recovery. Allband stated on its audited 2010 financials \$6,894,223 in account 4210.1 (gross plant) and drew \$7,235,721 of its RUS loan, a difference of \$341,498. This difference is due to operating money received from the loan, and operating capital that was actually used for expenses related to gross plant.

9. ***Status of the AARA grants totaling \$9.7 million awarded as part of USDA's Broadband Initiative Program to extend broadband to customers outside of the incumbent study area (amounts disbursed to date, status of construction, number of new subscribers to date, services offered, projections for number of subscribers ultimately to be served, Allband offers non-regulated services through Allband Multimedia subsidiary and partners with CLECs for numbers).***

To date, Allband has disbursed \$2,324,115.22 in grant funds. Due to environmental review delays, Allband was not able to start major construction on its larger grant until 2012 and has been constructing new plant for approximately 2 months. Allband has completed construction of its smaller grant in the community of Mikado, where 65 broadband subscribers are currently served. By the end of the 2014, Allband expects to have approximately 800-900 unregulated broadband subscribers outside of its Robbs Creek exchange. Allband will offer three tiers of high-speed Internet and a telephone VoIP alternative. In order to provide telephone service, Allband has partnered with a Michigan CLEC who will be providing numbering at a wholesale rate. These services are offered through Allband Multimedia, a wholly owned subsidiary of the Cooperative.

Please note that Allband carefully forecasted the financial viability of its ARRA project upon applying for the grant. The new non-regulated plant was designed with separation

## **Allband Communications Cooperative**

in mind, meaning that there is no overlap in regulated and non-regulated plant and equipment.

The pro-forma submitted to RUS with the grant application was contingent upon maintaining current levels of USF support, with Allband Multimedia revenues earmarked for non-regulated business activity and further expansion into areas that still do not have access to broadband service. Therefore, revenue generated by the ARRA expansion cannot be reallocated to subsidize a loss of USF funding, as it would cause Allband's ARRA project to ultimately fail. Currently, Allband is operating at a loss with Allband Multimedia and expects to until 2014 when most new subscribers will be activated upon the conclusion of grant construction. A newly updated forecast **Attachment 7** has been included to demonstrate losses in 2012 and 2013. Per the forecast, Allband will not incur enough unregulated revenue to support both its regulated and non-regulated activities through 2013.

***10. Details on the \$9.99/month plan for customers that only require 911 access and the ability to receive incoming calls (number of subscribers, limits on how long customers can stay on this plan, customers can drop to this plan from other plans at no charge, tariffed charges to connect/disconnect new service).***

Allband's exchange is a mix of full-time residents and seasonal customers. In an effort to provide 911 to all residents, increase access lines and increase revenue, a seasonal option was developed for \$9.99 per month at the inception of the Cooperative. This plan limited customers to strictly 911 service and did not include the ability to make and receive phone calls other than outgoing 911 calls. The seasonal plan was limited to 6 months annually and a transition fee was not charged. Please note that Allband, as a cooperative, required all of its members to subscribe to basic telephone in order to receive high-speed Internet.

Recently, Allband revised its plans, by adding a limited service and is as follows:

Standard Service: \$19.90 per month includes calling features such as voicemail, call waiting, caller ID and unlimited local calls.

Basic Service: \$10.00 per month, includes the ability to make and receive calls, long distance rates apply on a per minute basis, unlimited local calling, no calling features. Unlimited long distance packages cannot be paired with this plan. To date, Allband has 9 subscribers on this plan.

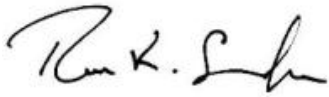
911 Service: \$6.99 per month, no outgoing calls other than 911, no incoming calls. To date, Allband has 22 subscribers on this plan. A six-month limitation still applies to this plan.

Subscribers are allowed to change their plan 4 times per year in consideration of Labor Day, Memorial Day, 4<sup>th</sup> of July and deer season. Additional plan change requests incur a tariffed charge of \$35 per change, which is Allband's standard disconnect/reconnect fee.

## **Allband Communications Cooperative**

If you require further clarification or have additional questions, please do not hesitate to contact me directly.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron K. Siegel". The signature is fluid and cursive, with the first name "Ron" being more prominent.

Ron K. Siegel  
General Manager

**Allband Communications Cooperative**

7251 Cemetery Rd. • Curran, MI 48728 • Phone: 989-369-9999 • Email: [info@allband.org](mailto:info@allband.org) • [www.allband.org](http://www.allband.org)

## **Allband Questions**

### Additional information:

Audited financial statements for 2011.

More details on corporate operations expenses and the growth of company (copies of any materials provided to RUS regarding expenditures).

More details on accounts payable (who are these payable to).

More details on materials and supplies on hand, i.e. inventory list summarized by types of materials and supplies (year end 2011 or current, whichever is easier), dollar amount of fiber in service, and RUS requirements regarding spares.

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The details regarding the ownership of the one building which is used as a central office/storage space and the leasing of the second building which is used for administrative space, and that Allband leases the building and equipment to install fiber (vehicles, backhoe, ploughs) from Northeast Michigan.

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RUS provided some financing for operating expenses (confirm that's the difference between the draw on the RUS loan as of December 31, 2010, and the reported gross plant including telecommunications plant under construction).

Status of the AARA grants totaling \$9.7 million awarded as part of USDA's Broadband Initiative Program to extend broadband to customers outside of the incumbent study area (amounts disbursed to date, status of construction, number of new subscribers to date, services offered, projections for number of subscribers ultimately to be served, Allband offers non-regulated services through Allband Multimedia subsidiary and partners with CLECs for numbers).

Details on the \$9.99/month plan for customers that only require 911 access and the ability to receive incoming calls (number of subscribers, limits on how long customers can stay on this plan, customers can drop to this plan from other plans at no charge, tariffed charges to connect/disconnect new service).

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY  
(A Michigan Mutual Company)

CURRAN, MICHIGAN

CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2011 AND 2010



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March 14, 2012

To the Board of Directors  
Allband Communications Cooperative  
7251 Cemetery Road  
Curran, Michigan 48728

### **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying consolidated balance sheet of ALLBAND COMMUNICATIONS COOPERATIVE AND ITS WHOLLY OWNED SUBSIDIARY (A Michigan Mutual Company) as of December 31, 2011 and 2010, and the related statements of operations, changes in members' equity, and cash flows for the years then ended. These financial statements are the responsibility of Allband Communications Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Allband Communications Cooperative and its wholly owned subsidiary at December 31, 2011, the results of its consolidated operations, and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Allband Communications Cooperative  
March 14, 2012

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information on pages 13 through 23 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated March 14, 2012, on our consideration of Allband Communications Cooperative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

*Lally Group, PC*

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY  
(A Michigan Mutual Company)  
CURRAN, MICHIGAN

CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 191,750	\$ 130,890
Accounts receivable - telecommunications	359,947	139,483
Materials and supplies	203,088	288,548
Loan origination fees - current	2,750	2,750
Prepayments	4,419	4,815
Total current assets	<u>761,954</u>	<u>566,486</u>
<b>NONCURRENT ASSETS:</b>		
Deferred loan costs	<u>36,437</u>	<u>39,187</u>
<b>PROPERTY, PLANT, AND EQUIPMENT:</b>		
Telecommunications plant in service	6,904,391	6,657,254
Telecommunications plant under construction	<u>2,290,862</u>	<u>236,969</u>
	9,195,253	6,894,223
Less: Accumulated Depreciation	<u>1,330,978</u>	<u>984,868</u>
Net book value	<u>7,864,275</u>	<u>5,909,355</u>
 Total assets	 <u><u>\$ 8,662,666</u></u>	 <u><u>\$ 6,515,028</u></u>

(The accompanying notes are an integral part of these financial statements)

## LIABILITIES AND MEMBERS' EQUITY

	2011	2010
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 813,444	\$ 597,934
Accounts payable - related party	60,212	60,212
Current portion - RUS debt	311,862	260,000
Current portion - John Reigle debt	151,008	26,760
Accrued income taxes	22,000	0
Accrued taxes	10,472	5,614
Total current liabilities	<u>1,368,998</u>	<u>950,520</u>
<b>OTHER LONG-TERM LIABILITIES:</b>		
Deferred grant revenue	<u>1,702,743</u>	<u>0</u>
<b>LONG-TERM DEBT - less current portion:</b>		
RUS mortgage notes	6,355,497	6,426,567
John Reigle note payable	0	53,954
Total long-term liabilities	<u>6,355,497</u>	<u>6,480,521</u>
<b>TOTAL LIABILITIES</b>	<u>9,427,238</u>	<u>7,431,041</u>
<b>MEMBERS' EQUITY:</b>		
Memberships issued	3,080	2,980
Non-Patronage capital (deficit)	3,916	0
Patronage capital (deficit)	(771,568)	(918,993)
Total members' equity (deficit)	<u>(764,572)</u>	<u>(916,013)</u>
<b>Total liabilities and members' equity</b>	<u>\$ 8,662,666</u>	<u>\$ 6,515,028</u>

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
OPERATING REVENUES:		
Basic local network services	\$ 38,532	\$ 36,617
Network access services	1,576,460	1,331,465
Long distance	32,971	22,907
Internet revenue	26,519	28,394
Miscellaneous	29,052	3,447
Total operating revenues	<u>1,703,534</u>	<u>1,422,830</u>
OPERATING EXPENSES:		
Plant specific operations	242,152	164,314
Plant nonspecific operations	141,826	72,348
Depreciation and amortization	369,079	337,106
Customer operations	21,704	7,252
Corporate operations	415,186	378,467
Total operating expenses	<u>1,189,947</u>	<u>959,487</u>
GROSS OPERATING INCOME (LOSS)	513,587	463,343
OPERATING TAXES:		
Other operating taxes	<u>103,976</u>	<u>70,249</u>
OPERATING INCOME (LOSS)	<u>409,611</u>	<u>393,094</u>
NONOPERATING INCOME (DEDUCTIONS):		
Interest income	59	48
Interest expense - RUS	(336,917)	(307,391)
Interest expense - other	(9,214)	(15,029)
Construction contract income	105,885	0
Federal income taxes	(22,000)	0
Other income (expense)	3,917	1,773
Total nonoperating income (deductions)	<u>(258,270)</u>	<u>(320,599)</u>
NET INCOME (LOSS)	<u>\$ 151,341</u>	<u>\$ 72,495</u>

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	MEMBERSHIP	PATRONAGE CAPITAL (DEFICIT)	NON- PATRONAGE CAPITAL (DEFICIT)	TOTAL
BALANCE - JANUARY 1, 2010	\$ 2,520	\$ (991,488)	\$ 0	\$ (988,968)
Memberships - net	460			460
Net income (loss)		72,495		72,495
BALANCE - DECEMBER 31, 2010	<u>\$ 2,980</u>	<u>\$ (918,993)</u>	<u>\$ 0</u>	<u>\$ (916,013)</u>
Memberships - net	\$ 100	\$ 0	\$ 0	\$ 100
Net income (loss)		147,425	3,916	151,341
BALANCE - DECEMBER 31, 2011	<u>\$ 3,080</u>	<u>\$ (771,568)</u>	<u>\$ 3,916</u>	<u>\$ (764,572)</u>

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
OPERATING ACTIVITIES:		
Net income (loss)	\$ 151,341	\$ 72,495
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	366,329	334,356
Amortization	2,750	2,750
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	(220,464)	(119,370)
Inventories	85,460	41,549
Other current assets	396	2,447
Increase (Decrease) in:		
Accounts payable	215,510	(290,037)
Accounts payable - NECA	0	(27,035)
Accrued income taxes	22,000	0
Accrued taxes	4,858	1,896
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	628,180	19,051
INVESTING ACTIVITIES:		
Purchase of property, plant, and equipment	(2,325,049)	(494,165)
Proceeds from sale of equipment	3,800	0
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(2,321,249)	(494,165)
FINANCING ACTIVITIES:		
Increase in memberships	100	460
Proceeds from borrowings on long-term debt - RUS	360,929	798,229
Proceeds from grant	1,702,743	0
Principal payments on long-term debt	(309,843)	(276,222)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	1,753,929	522,467
(DECREASE) IN CASH AND CASH EQUIVALENTS	60,860	47,353
CASH AND CASH EQUIVALENTS - BEGINNING	130,890	83,537
CASH AND CASH EQUIVALENTS - ENDING	\$ 191,750	\$ 130,890
SUPPLEMENTAL DISCLOSURES:		
Interest paid (\$0 and \$14,250 capitalized respectively)	\$ 346,131	\$ 336,670
Income taxes paid	\$ 0	\$ 0

(The accompanying notes are an integral part of these financial statements)



ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Allband Communications Cooperative and subsidiary (herein referred to as "the Cooperative") provides telecommunication services to member subscribers in the northeast portion of the lower peninsula of Michigan.

The accounting records of the Cooperative are maintained in accordance with the Uniform System of Accounts for Class A and B Telephone Companies prescribed by the Public Service Commission of Michigan, which conform to accounting principles generally accepted in the United States of America (US GAAP).

The consolidated financial statements include the accounts of the Cooperative and its wholly owned subsidiary, Allband Multimedia, LLC. All material intercompany accounts and transactions are eliminated in consolidation.

Subsequent Events -

Management has evaluated subsequent events through March 14, 2012, the date the financial statements were available for issue.

Income Tax Status -

The Cooperative operates as a Section 501(c)(12) Corporation as defined by the Internal Revenue Code. The Cooperative files income tax returns in the U.S. federal jurisdiction. The statute of limitations is generally three years for federal returns.

Concentrations of Credit Risk -

The Cooperative grants credit to member subscribers, substantially all of whom are located in the Curran, Michigan area. The Cooperative will also grant credit to connecting toll companies located throughout the United States.

The Cooperative received 93% of its 2011 revenues from access revenues and assistance provided by the Federal Universal Services Fund. As a result of the Telecommunications Act of 1996, the manner in which access revenues and Universal Service Funds are determined is currently being modified by regulatory bodies. The FCC adopted an order reforming the Universal Service Fund and Intercarrier Compensation. The details of that order have been released over time and some pieces are still open to further rulemaking or review. However, we believe that there is concern our revenues from these sources will be drastically reduced during the ensuing years. The Cooperative has filed a waiver with the FCC challenging the new order and its effect on rural telephone companies. At this time, the results of this waiver are not able to be known or accounted for in the current year.

Use of Estimates -

The process of preparing financial statements in conformity with US GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash and Cash Equivalents -

All investments that mature in three months or less are classified as cash equivalents.

Accounts Receivable -

Accounts receivable are carried at their estimated collectible amounts. Trade credit is generally extended on a short-term basis, thus accounts receivable do not bear interest. Accounts receivable are periodically evaluated for collectability based on past credit history with customers. No allowance for bad debts was recorded by management as of December 31, 2011 and 2010.

Materials and Supplies -

All materials and supplies are valued at the lower of cost or current market value on the specific identification basis. Materials and supplies consist primarily of fiber cable purchased for future plant construction.

Telephone Plant and Depreciation -

Telephone plant in service and under construction is capitalized at original cost. The Cooperative provided for depreciation on a straight-line basis at annual rates which will amortize the depreciable property over its estimated useful life.

At the time the plant is retired, the retirements credited to telephone plant together with removal costs less salvage are charged to the depreciation reserve unless the retirement is of an extraordinary or abnormal nature.

No gains or losses are recognized in connection with routine retirements of depreciable property. Repairs and renewals of minor items of property are included in plant specific operations expense.

Deferred Loan Costs -

Deferred loan costs are amortized on a straight-line basis over the term of the loan. Amortization of deferred loan costs is expected to be \$2,750 for each of the next five years.

Revenue Recognition -

Toll service revenues, access revenues, and local service revenues are recognized when earned, regardless of the period in which they are billed.

The Cooperative receives interstate settlements for providing access service from the National Exchange Carrier Association (NECA). Interstate access settlements are based on average nation-wide settlements. Intrastate rates are set based upon interstate rates.

Maintenance -

Accounting for maintenance and repairs was in conformity with the Uniform System of Accounts prescribed by the Michigan Public Service Commission.

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. INVESTMENT IN TELEPHONE PLANT AND CABLE ASSETS:

Telephone plant in service was stated at cost. Listed below are the major classes of the telephone plant as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Land	\$ 9,887	\$ 9,887
Buildings	269,699	269,699
General purpose computers	4,087	4,087
Office equipment	19,700	19,700
Network equipment	864,336	888,356
Cable	5,648,749	5,380,997
Vehicles	36,674	36,674
Other work equipment	<u>51,259</u>	<u>47,854</u>
Telephone plant in service	<u>\$6,904,391</u>	<u>\$6,657,254</u>

The Cooperative provided for depreciation on a straight-line basis at annual rates, which will amortize the depreciable property over its estimated useful life. The projected composite depreciation rate is approximately 5.3% during the first six years. Estimated useful life for the major asset classes are as follows:

Buildings	20 Years
General purpose computers	10 Years
Network equipment	10 Years
Cable	22 Years
Other work equipment	15 Years

3. LONG-TERM DEBT:

Long-term debt consists of notes payable to the United States of America through the Rural Utilities Service (RUS). The notes are collateralized by substantially all of the telephone plant. The loan allowed draws until October 2011, with a total loan amount of \$8,067,000; the interest rate on the loan is 5% per annum. As of December 31, 2011, the loan balance was \$6,667,359.

Scheduled maturities of existing RUS long-term debt for each of the next five years are as follows:

2012	\$311,862
2013	\$327,799
2014	\$344,600
2015	\$362,200
2016	\$380,700

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. LONG-TERM DEBT: (continued)

The mortgage to the United States of America, underlying the RUS notes, contains certain restrictions on the declaration or payment of cash dividends, redemption of capital stock, or investment in affiliated companies except as might be specifically authorized in writing in advance by the RUS note holders. All assets are pledged as security for the long-term debt to RUS.

At December 31, 2011, the Cooperative met the minimum times interest earned ratio (TIER) as defined in Section 5.12 of the RUS loan agreement. At December 31, 2010, the Cooperative did not meet the minimum times interest earned ratio (TIER) as defined in Section 5.12 of the RUS loan agreement.

Under the provisions of the loan contract, advances of loan funds shall be deposited in a special construction account and held in trust for the government until disbursed. The loan contract restricts disbursements to such expenditures as RUS may authorize. All payments from the trust accounts are subject to RUS approval.

[REDACTED]

Scheduled maturities of existing additional long-term debt for each of the next five years are as follows:

2012                      [REDACTED]

4. INTEREST COST:

The Cooperative follows the policy of capitalizing interest as a component of the cost of property, plant, and equipment constructed for its own use. This allowance for funds used during construction ("AFUDC") for 2011 and 2010 amounted to \$0 and \$14,250, respectively.

5. RELATED PARTY TRANSACTIONS:

During 2007, management awarded back pay for reaching certain performance targets to both current and former employees. The unpaid balance was \$60,212 and \$60,212 at December 31, 2011 and 2010, respectively.

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. OPERATING LEASES:

Circuit equipment: Total circuit equipment lease expense for 2011 and 2010 was \$36,754 and \$39,701, respectively.

Equipment: Total equipment lease expense for 2011 and 2010 was \$75,302 and \$70,185, respectively.

Building: Total building lease for 2011 and 2010 was \$49,718 and \$44,086, respectively.

Future minimum lease payments for the four succeeding years are as follows:

2012	\$140,083
2013	\$141,606
2014	\$143,175
2015	\$144,790

7. FEDERAL INCOME TAX STATUS:

This Cooperative operates as a tax-exempt corporation as defined by the Internal Revenue Code Section 501(c)(12). One of these requirements is that the Cooperative must obtain 85% or more of their gross revenues from members. The Cooperative did not meet this requirement for December 31, 2011, and incurred a tax of \$22,000.

8. RECLASSIFICATIONS:

Certain reclassifications have been made to the 2010 financial statement presentation to correspond to the current year's format. Previously reported total equity and net income are unchanged due to these reclassifications.

9. ARRA GRANT:

During 2010, Allband Communications Cooperative was awarded two grants as part of the USDA's Broadband Initiatives Program. The total of these grants is \$9,730,657. The funds are to be used to provide internet service to unserved areas within 3 years. As of December 31, 2011, the Cooperative has plant under construction pertaining to ARRA in the amount of \$2,290,862 and has received \$1,702,743 in grant receipts.

## SUPPLEMENTARY INFORMATION

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY  
(A Michigan Mutual Company)  
CURRAN, MICHIGAN

CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 2011

ASSETS

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 182,511	\$ 9,239	\$ 0	\$ 191,750
Accounts receivable - telecommunications	354,842	5,105		359,947
Accounts receivable - affiliate	67,402		67,402	0
Materials and supplies	203,088			203,088
Loan origination fees - current	2,750			2,750
Prepayments	4,419			4,419
Total current assets	<u>815,012</u>	<u>14,344</u>	<u>67,402</u>	<u>761,954</u>
<b>NONCURRENT ASSETS:</b>				
Deferred loan costs	36,437			36,437
Investment - affiliated	(53,058)		(53,058)	0
Total noncurrent assets	<u>(16,621)</u>	<u>0</u>	<u>(53,058)</u>	<u>36,437</u>
<b>PROPERTY, PLANT, AND EQUIPMENT:</b>				
Telecommunications plant in service	6,904,391			6,904,391
Telecommunications plant under construction	2,290,862			2,290,862
	9,195,253	0	0	9,195,253
Less: Accumulated depreciation	1,330,978			1,330,978
Net book value	<u>7,864,275</u>	<u>0</u>	<u>0</u>	<u>7,864,275</u>
Total assets	<u>\$ 8,662,666</u>	<u>\$ 14,344</u>	<u>\$ 14,344</u>	<u>\$ 8,662,666</u>

(The accompanying notes are an integral part of these financial statements)

# LIABILITIES AND MEMBERS' EQUITY

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
<b>CURRENT LIABILITIES:</b>				
Accounts payable	\$ 813,444	\$ 0	\$ 0	\$ 813,444
Accounts payable - affiliate		67,402	67,402	0
Current portion - RUS	311,862			311,862
Current portion - John Reigle debt	151,008			151,008
Accounts payable - related party	60,212			60,212
Accrued income taxes	22,000			22,000
Accrued taxes	10,472			10,472
Total current liabilities	<u>1,368,998</u>	<u>67,402</u>	<u>67,402</u>	<u>1,368,998</u>
<b>OTHER LONG-TERM LIABILITIES:</b>				
Deferred grant revenue	<u>1,702,743</u>			<u>1,702,743</u>
<b>LONG-TERM DEBT - less current portion:</b>				
RUS mortgage notes	6,355,497			6,355,497
note payable				0
Total long-term liabilities	<u>6,355,497</u>	<u>0</u>	<u>0</u>	<u>6,355,497</u>
<b>TOTAL LIABILITIES</b>	<u>9,427,238</u>	<u>67,402</u>	<u>67,402</u>	<u>9,427,238</u>
<b>MEMBERS' EQUITY:</b>				
Memberships issued	3,080			3,080
Non-Patronage capital (deficit)		3,916	3,916	0
Patronage capital (deficit)	(767,652)	(56,974)	(56,974)	(767,652)
Total members' equity (deficit)	<u>(764,572)</u>	<u>(53,058)</u>	<u>(53,058)</u>	<u>(764,572)</u>
Total liabilities and members' equity	<u>\$ 8,662,666</u>	<u>\$ 14,344</u>	<u>\$ 14,344</u>	<u>\$ 8,662,666</u>

(The accompanying notes are an integral part of these financial statements)



ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
OPERATING REVENUES:				
Basic local network services	\$ 38,532	\$ 0	\$ 0	\$ 38,532
Network access services	1,607,146		30,686	1,576,460
Long distance	32,971			32,971
Internet revenue		26,519		26,519
Miscellaneous	2,747	26,305		29,052
Total operating revenues	<u>1,681,396</u>	<u>52,824</u>	<u>30,686</u>	<u>1,703,534</u>
OPERATING EXPENSES:				
Plant specific operations	185,637	87,201	30,686	242,152
Plant nonspecific operations	141,826			141,826
Depreciation and amortization	369,079			369,079
Customer operations	20,389	1,315		21,704
Corporate operations	415,186			415,186
Total operating expenses	<u>1,132,117</u>	<u>88,516</u>	<u>30,686</u>	<u>1,189,947</u>
GROSS OPERATING INCOME (LOSS)	549,279	(35,692)	0	513,587
OPERATING TAXES:				
Other operating taxes	103,976			103,976
OPERATING INCOME (LOSS)	<u>445,303</u>	<u>(35,692)</u>	<u>0</u>	<u>409,611</u>
NONOPERATING INCOME (DEDUCTIONS):				
Interest income	59			59
Interest expense - RUS	(336,917)			(336,917)
Interest expense - other	(9,214)			(9,214)
Income (loss) from affiliate	(35,692)		(35,692)	0
Construction contract income	105,885			105,885
Other income (expense)	3,917			3,917
Federal income tax	(22,000)			(22,000)
Total nonoperating income (deductions)	<u>(293,962)</u>	<u>0</u>	<u>(35,692)</u>	<u>(258,270)</u>
NET INCOME (LOSS)	<u>\$ 151,341</u>	<u>\$ (35,692)</u>	<u>\$ (35,692)</u>	<u>\$ 151,341</u>

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
<b>OPERATING ACTIVITIES:</b>				
Net income (loss)	\$ 151,341	\$ (35,692)	\$ 35,692	\$ 151,341
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation	366,329			366,329
Amortization	2,750			2,750
Loss from investment in affiliate	35,692		(35,692)	0
<b>Changes in operating assets and liabilities:</b>				
(Increase) Decrease in:				
Accounts receivable	(215,942)	(4,522)		(220,464)
Accounts affiliate	(20,503)	27,084	(6,581)	0
Inventories	85,460			85,460
Other current assets	396			396
Increase (Decrease) in:				
Accounts payable	215,510			215,510
Accounts payable - NECA	(27,084)	20,503	6,581	0
Accrued income tax	22,000			22,000
Accrued taxes	4,858			4,858
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>620,807</u>	<u>7,373</u>	<u>0</u>	<u>628,180</u>
<b>INVESTING ACTIVITIES:</b>				
Purchase of property, plant, and equipment	(2,325,049)			(2,325,049)
Proceeds from sale of equipment	3,800			3,800
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<u>\$ (2,321,249)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (2,321,249)</u>

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
	\$	\$	\$	\$
<b>FINANCING ACTIVITIES:</b>				
Increase in memberships	100	0	0	100
Proceeds from borrowings on long-term debt - RUS	360,929			360,929
Proceeds from grant	1,702,743			1,702,743
Principal payments on long-term debt	(309,843)			(309,843)
	<u>1,753,929</u>	<u>0</u>	<u>0</u>	<u>1,753,929</u>
<b>NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES</b>				
	53,487	7,373	0	60,860
<b>(DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	<u>129,024</u>	<u>1,866</u>		<u>130,890</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>				
	<u>\$ 182,511</u>	<u>\$ 9,239</u>	<u>\$ 0</u>	<u>\$ 191,750</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>				
	<u>\$ 346,131</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 346,131</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>				
Interest paid (\$0 capitalized)	0	0	0	0
Income taxes paid				

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY  
(A Michigan Mutual Company)  
CURRAN, MICHIGAN

CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 2010

ASSETS

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 129,024	\$ 1,866	\$ 0	\$ 130,890
Accounts receivable - telecommunications	138,900	583		139,483
Accounts receivable - affiliate	46,899	27,084	73,983	0
Materials and supplies	288,548			288,548
Loan origination fees - current	2,750			2,750
Prepayments	4,815			4,815
Total current assets	610,936	29,533	73,983	566,486
<b>NONCURRENT ASSETS:</b>				
Deferred loan cost	39,187			39,187
Investment - affiliated	(17,366)		(17,366)	0
Total noncurrent assets	21,821	0	(17,366)	39,187
<b>PROPERTY, PLANT, AND EQUIPMENT:</b>				
Telecommunications plant in service	6,657,254			6,657,254
Telecommunications plant under construction	236,969			236,969
	6,894,223	0	0	6,894,223
Less: Accumulated depreciation	984,868			984,868
Net book value	5,909,355	0	0	5,909,355
Total assets	\$ 6,542,112	\$ 29,533	\$ 56,617	\$ 6,515,028

(The accompanying notes are an integral part of these financial statements)

# LIABILITIES AND MEMBERS' EQUITY

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
<b>CURRENT LIABILITIES:</b>				
Accounts payable	\$ 597,934	\$ 0	\$ 0	\$ 597,934
Accounts payable - affiliate	27,084	46,899	73,983	0
Accounts payable - related party	60,212			60,212
Current portion - RUS	260,000			260,000
Current portion - ██████████ debt	26,760			26,760
Accrued taxes	5,614			5,614
Total current liabilities	977,604	46,899	73,983	950,520
<b>LONG-TERM DEBT - current portion:</b>				
RUS mortgage notes	6,426,567			6,426,567
██████████ note payable	53,954			53,954
Total long-term liabilities	6,480,521	0	0	6,480,521
<b>TOTAL LIABILITIES</b>	7,458,125	46,899	73,983	7,431,041
<b>MEMBERS' EQUITY:</b>				
Memberships issued	2,980			2,980
Patronage capital (deficit)	(918,993)	(17,366)	(17,366)	(918,993)
Total members' equity (deficit)	(916,013)	(17,366)	(17,366)	(916,013)
<b>Total liabilities and members' equity</b>	<b>\$ 6,542,112</b>	<b>\$ 29,533</b>	<b>\$ 56,617</b>	<b>\$ 6,515,028</b>

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
OPERATING REVENUES:				
Basic local network services	\$ 36,617	\$ 0	\$ 0	\$ 36,617
Network access services	1,359,789		28,324	1,331,465
Long distance	22,907			22,907
Internet revenue		28,394		28,394
Miscellaneous	3,447			3,447
Total operating revenues	<u>1,422,760</u>	<u>28,394</u>	<u>28,324</u>	<u>1,422,830</u>
OPERATING EXPENSES:				
Plant specific operations	146,878	45,760	28,324	164,314
Plant nonspecific operations	72,348			72,348
Depreciation and amortization	337,106			337,106
Customer operations	7,252			7,252
Corporate operations	378,467			378,467
Total operating expenses	<u>942,051</u>	<u>45,760</u>	<u>28,324</u>	<u>959,487</u>
GROSS OPERATING INCOME (LOSS)	480,709	(17,366)	0	463,343
OPERATING TAXES:				
Other operating taxes	<u>70,249</u>			<u>70,249</u>
OPERATING INCOME (LOSS)	<u>410,460</u>	<u>(17,366)</u>	<u>0</u>	<u>393,094</u>
NONOPERATING INCOME (DEDUCTIONS):				
Interest income	48			48
Interest expense - RUS	(307,391)			(307,391)
Interest expense - other	(15,029)			(15,029)
Income (loss) from affiliate	(17,366)		(17,366)	0
Other income (expense)	<u>1,773</u>			<u>1,773</u>
Total nonoperating income (deductions)	<u>(337,965)</u>	<u>0</u>	<u>(17,366)</u>	<u>(320,599)</u>
NET INCOME (LOSS)	<u>\$ 72,495</u>	<u>\$ (17,366)</u>	<u>\$ (17,366)</u>	<u>\$ 72,495</u>

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
<b>OPERATING ACTIVITIES:</b>				
Net income (loss)	\$ 72,495	\$ (17,366)	\$ 17,366	\$ 72,495
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation	334,356			334,356
Amortization	2,750			2,750
Loss from investment in affiliate	17,366		(17,366)	0
Changes in operating assets and liabilities:				
(Increase) Decrease in:				
Accounts receivable	(118,787)	(583)		(119,370)
Accounts affiliate	(46,899)	(27,084)	73,983	0
Inventories	41,549			41,549
Other current assets	2,447			2,447
Increase (Decrease) in:				
Accounts payable	(290,037)			(290,037)
Accounts payable - related party	27,084	46,899	(73,983)	0
Accounts payable - NECA	(27,035)			(27,035)
Accrued taxes	1,896			1,896
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>17,185</u>	<u>1,866</u>	<u>0</u>	<u>19,051</u>
<b>INVESTING ACTIVITIES:</b>				
Purchase of property, plant, and equipment	\$ (494,165)	\$ 0	\$ 0	\$ (494,165)

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
	\$	\$	\$	\$
FINANCING ACTIVITIES:				
Increase in memberships	460	0	0	460
Proceeds from borrowings on long-term debt - RUS	798,229			798,229
Principal payments on long-term debt	(276,222)			(276,222)
NET CASH PROVIDED BY (USED FOR)				
FINANCING ACTIVITIES	522,467	0	0	522,467
(DECREASE) IN CASH AND CASH EQUIVALENTS	45,487	1,866	0	47,353
CASH AND CASH EQUIVALENTS - BEGINNING	83,537			83,537
CASH AND CASH EQUIVALENTS - ENDING	\$ 129,024	\$ 1,866	\$ 0	\$ 130,890
SUPPLEMENTAL DISCLOSURES:				
Interest paid (\$14,250 capitalized)	\$ 336,670	\$ 0	\$ 0	\$ 336,670
Income taxes paid	\$ 0	\$ 0	\$ 0	\$ 0

(The accompanying notes are an integral part of these financial statements)



ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

SCHEDULE OF REVENUE SOURCES  
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Subscriber Sources Revenues:		
Basic local telephone services	\$ 38,532	\$ 36,617
Subscriber line revenues	1,945	5,477
Internet revenue	26,519	28,394
Long distance	32,971	22,907
Miscellaneous	<u>29,052</u>	<u>3,447</u>
Total Subscriber Revenues	<u>129,019</u>	<u>96,842</u>
Carrier Access Billing (2010 estimated allocation):		
Interstate carrier	15,106	17,353
Intrastate carrier	<u>45,772</u>	<u>32,052</u>
Total Carrier Revenues	<u>60,878</u>	<u>49,405</u>
NECA:		
Interstate Common Line Support (ICLS)	384,245	398,622
Local Switching Support (LSS)	352,729	340,592
High Cost Loop Support (HCLS)	879,120	605,963
Other settlements/ adjustments	<u>(102,457)</u>	<u>(68,594)</u>
Total NECA revenues	<u>1,513,637</u>	<u>1,276,583</u>
Total Operating Revenues	<u>\$ 1,703,534</u>	<u>\$ 1,422,830</u>

(The accompanying notes are an integral part of these financial statements)



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March 14, 2012

Board of Directors  
Allband Communications Cooperative  
7251 Cemetery Road  
Curran, Michigan 48728

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING**

We have audited the financial statements of Allband Communications Cooperative and subsidiary as of and for the year ended December 31, 2011, and have issued our report thereon dated March 14, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**COMPLIANCE**

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters, other than as described in Note 3 of the financial statements, that are required to be reported under Government Auditing Standards.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our 2011 audit, we considered the Cooperative's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies or material weaknesses have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by management. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a significant deficiency, or combination of significant deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We believe the following deficiencies to be significant deficiencies which constitute material weaknesses:

- **Comment:** While the Cooperative has obtained an awareness of the implication of fraud in their business, they have yet to develop a formal antifraud program with stated control processes.
- **Management's Response:** The Cooperative has given consideration to this matter and currently believes this is adequately addressed through strong management oversight in light of the relatively small size of the Cooperative.

This report is intended for the information of the board of directors, management, the Rural Utilities Service, and supplemental lenders. However, this report is a matter of public record and its distribution is not limited.

*Lally Group, PC*



**LALLY GROUP, PC**  
CERTIFIED PUBLIC ACCOUNTANTS

**Jackson Office**

110 1<sup>st</sup> Street  
JACKSON, MICHIGAN 49201  
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**Cardinal Office**

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THOMAS J. BELLGRAPH, CPA

EARL J. POLESKI, CPA  
JENNIFER E. RIVERA, CPA  
DAVID M. SUNDEN, CPA

March 14, 2012

Board of Directors  
Allband Communications Cooperative  
7251 Cemetery Road  
Curran, Michigan 48728

**INDEPENDENT AUDITORS' COMMUNICATION OF SIGNIFICANT MATTERS TO THOSE  
CHARGED WITH GOVERNANCE**

We have audited the financial statements of Allband Communications Cooperative for the year ended December 31, 2011, and have issued our report thereon dated March 14, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of Allband Communications Cooperative for the year ended December 31, 2011, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

A description of the responsibility of management for establishing and maintaining the internal control over financial reporting and the objectives of and inherent limitations in such control is set forth in our independent auditors' report on compliance and on the internal control over financial reporting dated March 14, 2012, and should be read in conjunction with this report.

Board of Directors  
Allband Communications Cooperative  
March 14, 2012

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

7 CFR Part 1773.33 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions, and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR Part 1773.33(e)(2), and related party transactions. In addition, our audit of the financial statements also included the procedures specified in 7 CFR Part 1773.38-.45. Our objective was not to provide an opinion on these specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters, and accordingly, we express no opinion thereon.

No reports (other than our independent auditors' report, and our independent auditors' report on compliance and on internal control over financial reporting, all dated March 14, 2012), or summary of recommendations related to our audit have been furnished to management.

Our comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by 7 CFR Part 1773.33 are presented below.

Board of Directors  
Allband Communications Cooperative  
March 14, 2012

#### COMMENTS ON CERTAIN SPECIFIC ASPECTS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING

We noted no matters regarding Allband Communications Cooperative's internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

- the accounting procedures and records,
- the process for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance, or other expense accounts,
- the materials control.

#### COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOAN AND SECURITY INSTRUMENT PROVISIONS

Management's responsibility for compliance with laws, regulations, contracts, and grants is set forth in our independent auditors' report on compliance and on internal control over financial reporting dated March 14, 2012, and should be read in conjunction with this report. At your request, we have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, contracts, and grants. The procedures we performed are summarized as follows:

- Procedures performed with respect to the requirement to maintain all funds in institutions whose accounts are insured by an agency of the federal government:
  1. Obtained information from financial institutions with which Allband Communications Cooperative maintains funds that indicated that the institutions are insured by an agency of the federal government.

Board of Directors  
Allband Communications Cooperative  
March 14, 2012

- Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others, or for services pertaining to toll traffic, operator assistance, or switching for the year ended December 31, 2011, of Allband Communications Cooperative:
  - 1. Borrower did not have a schedule as they did not enter into any new written contracts during the year for the operation or maintenance of its property, or for the use of its property by others, or for services pertaining to toll traffic, operator assistance, or switching as defined in § 1773.33(e)(2)(i).
  - 2. Reviewed board of director minutes to ascertain whether any new contracts were approved during the year.
- Procedure performed with respect to the requirement to submit RUS Form 479 to the RUS:
  - 1. Agreed amounts reported in Form 479 for Allband Communications Cooperative to Allband Communications Cooperative's records.
- Procedure performed with respect to funded reserve and net plant to secured debt ratio requirements:
  - 1. This provision does not apply to this borrower.

The results of our tests indicate that, with respect to the items tested, Allband Communications Cooperative complied, except as noted below, in all material respects, with the specific RUS loan and security instrument provisions referred to below. The specific provisions tested, as well as any exceptions noted, include the requirements that:

- the borrower maintains all funds in institutions whose accounts are insured by an agency of the federal government.

Board of Directors  
Allband Communications Cooperative  
March 14, 2012

- the borrower has obtained written approval of the RUS to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others, or for services pertaining to toll traffic, operator assistance, or switching as defined in § 1773.33 (e)(2)(i); and
- the borrower has submitted its Form 479 to the RUS, and the Form 479, Financial and Statistical Report, as of December 31, 2011, represented by the borrower as having been submitted to RUS is in agreement with Allband Communications Cooperative's audited records in all material respects.

#### COMMENTS ON OTHER ADDITIONAL MATTERS

In connection with our audit of the financial statements of Allband Communications Cooperative, nothing came to our attention that caused us to believe that Allband Communications Cooperative failed to comply with respect to:

- the reconciliation of subsidiary plant records to the controlling general ledger plant accounts addressed at 7 CFR 1773.33 (c)(1);
- the clearing of the construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR 1773.33(c)(2);
- the retirement of plant addressed at 7 CFR 1773.33(c)(3) and (4);
- sales of plant material or scrap addressed at 7 CFR 1773.33(c)(5);
- the disclosure of material related party transactions, in accordance with Statement of Financial Accounting Standards No. 57, Related Party Transactions, for the year ended December 31, 2011, in the financial statements referenced in the first paragraph of this report addressed at 7 CFR 1773.33(f).

This report is intended solely for the information and use of the board of directors, management, and the RUS, and supplemental lenders. However, this report is a matter of public record and its distribution is not limited.

*Lally Group, PC*



**Allband Communications Cooperative  
A/P Aging Summary**

12-31-2009

**Current**

**A/P Aging Summary**  
As of December 31, 2009  
31, 2009

61 - 90

90 >

TOTAL

TOTAL

# Allband Communications Cooperative A/P Aging Summary

	Current	As of December 31, 2010	61 - 90	> 90	TOTAL
Current					
As of December 31, 2010					
61 - 90					
> 90					
TOTAL					

### A/P Aging Summary

**As of December 31, 2011**

**TOTAL**

[illegible]

[illegible]

1003

Part Name	Vendor/Manufacturer	Part #	Quantity	Add #	Sub #	New Qty	Price	Total Price
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]			[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]			[REDACTED]	[REDACTED]	[REDACTED]

## Installment Promissory Note

Amount \$

Date: December 31, 2007

FOR VALUE RECEIVED, the undersigned, Allband Communications Cooperative (Borrower), maintaining an address at PO Box 8, Curran, MI 48728 (Borrower's Address) promises to pay to the order of [REDACTED] (Lender's Address), the principal sum of [REDACTED] (Principal), together with interest of [REDACTED] per year thereon from the date herein.

The accrued interest shall be paid in monthly installments of [REDACTED], with the first payment beginning on January 31, 2008 and continuing every month thereafter with a like amount on the same date each month. The full amount of this note and all accrued interest is due December 31, 2010.

All or any part of the Principal may be prepaid at any time and from time to time without penalty. Payments shall be applied first to accrued interest and the balance to the Principal.

In the event of any default by the Borrower in the payment of Principal or interest after demand is made, the unpaid balance of the Principal of this promissory note shall, at the option of the holder, become immediately due and payable. Any amount due at the time of default shall accrue interest until payment at the rate of [REDACTED] per year or the highest rate permitted by law, whichever is less.

Upon default in making payment within 7 days of demand, Borrower agrees to pay all reasonable legal fees and costs of collection to the extent permitted by law.

Borrower and all other persons who may become liable for the payment hereof severally waive demand, presentment, protest, notice of dishonor or nonpayment, notice of protest, and any and all lack of diligence or delays in collection, which may occur.

All payments hereunder shall be made to such address as may from time to time be designated by any holder and must be made in United States funds.

Borrower and all other parties to this note, whether as endorsers, guarantors or sureties, agree to remain fully bound until this note shall be paid in full and waive demand, presentment and protest and all notices hereto. Borrower further agrees to remain bound by this note notwithstanding any extension, modification, waiver, or other indulgence, failure, discharge or release of any obligation hereunder.

The holder's failure to exercise any right or option hereunder does not constitute a waiver of any future right or option.

No modification to this document or indulgence by any holder hereof shall be binding unless in writing.

If any provision of this Note is deemed unenforceable, in whole or in part, for any reason, the remaining provisions shall still remain in full force and effect.

This note shall take effect as a sealed instrument and is made and executed under, and is in all respects governed by, the laws of: Michigan (State).

  
Jim Baarda, Treasurer

Allband Communications Cooperative

## Installment Promissory Note Amendment

FOR VALUE RECEIVED, the undersigned, Allband Communications Cooperative (Borrower), maintaining an address at PO Box 8, Curran, MI 49728 (Borrowers Address) promises to pay to the order [REDACTED], the below added amounts to the principle sum of [REDACTED] (Principal), together with interest of [REDACTED]

Amounts Added to Original Loan:

[REDACTED]

Ron Siegel 12/11/2009

Ron Siegel, General Manager

Allband Communications Cooperative



**AMENDMENT TO INSTALLMENT PROMISSORY NOTE FOR \$50,000**

**THIRD AMENDMENT TO PROMISSORY NOTE**

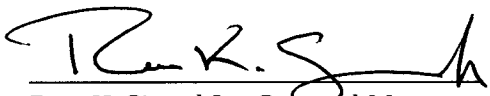
THIS THIRD AMENDMENT (the "Amendment") is made this 16<sup>th</sup> day of JUNE 2010, for a promissory note totaling [REDACTED] signed on December 31, 2007 by and between, the undersigned, Allband Communications Cooperative (Borrower), maintaining an address at 7251 Cemetery Rd. Curran, MI 48728 (Borrower's Address) and [REDACTED] (Lender's Address).

**WITNESSETH:**

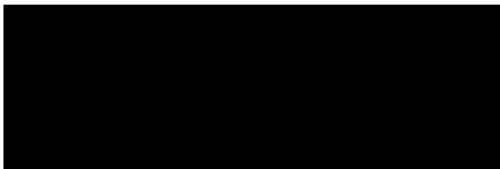
WHEREAS, the Lender and the Borrower have agreed to make certain modifications to the Note:

The accrued interest and principal shall be paid in monthly installments of [REDACTED], with the first payment due on September 1, 2009 and continuing every month thereafter with a like amount on the same date each month.

The full amount of this note; additions to the principle sum totaling [REDACTED] as stated in Amendment #2; and all accrued interest is due on December 14, 2017.



Ron K. Siegel Jr., General Manager  
Allband Communications Cooperative (Borrower)



## Installment Promissory Note

Date: August 14, 2009

FOR VALUE RECEIVED, the undersigned, Allband Communications Cooperative (Borrower), maintaining an address at PO Box 8, Curran, MI 49728 (Borrowers Address) promises to pay to the order of [REDACTED], the principle sum of [REDACTED], (Principal), together with interest of [REDACTED] per year thereon from the date herein.

The accrued interest shall be paid in monthly installments of [REDACTED] with the first payment beginning on September 14, 2009 and continuing every month thereafter with a like amount on the same date each month. The full amount of this note and all accrued interest is due on August 14, 2011.

All or any part of the Principle may be prepaid at any time and from time to time without penalty. Payments shall be applied first to accrued interest and the balance to the Principle.

In the event of any default by the Borrower in the payment of Principle or interest after demand is made, the unpaid balance of the Principle of this promissory note shall, at the option of the holder, become immediately due and payable. Any amount due at the time of default shall accrue interest until payment at the rate of [REDACTED] per year or the highest rate permitted by law, whichever is less.

Upon default in making payment within 7 days of demand, Borrower agrees to pay all reasonable legal fees and costs of collection to the extent permitted by law.

Borrower and all other persons who may become liable for the payment hereof severally waive demand, presentment, protest, notice of dishonor or nonpayment, notice of protest, and any and all lack of diligence or delay in collection, which may occur.

All payments hereunder shall be made to such address as may from time to time be designated by any holder and must be made in United States funds.

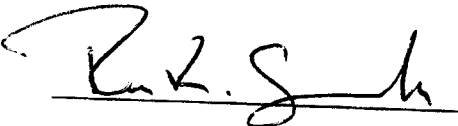
Borrower and all other parties to this note whether as endorsers, guarantors or sureties, agree to remain fully bound until this note is paid in full and waive demand, presentment and protest and all notices hereto. Borrower further agrees to remain bound by this note notwithstanding any extension, modification, waiver, or other indulgence, failure, discharge or release of any obligation hereunder.

The holder's failure to exercise any right or option hereunder does not constitute a waiver of any future right or option.

No modification to this document or indulgence by any holder hereof shall be binding unless in writing.

If any provision of this Note is deemed unenforceable, in whole or in part, for any reason, the remaining provisions shall still remain in full force and effect.

This note shall take effect as a sealed instrument and is made and executed under, and is in all respects governed by the laws of Michigan (State).



Ron Siegel, General Manager

Allband Communications Cooperative

## Installment Promissory Note Amendment

FOR VALUE RECEIVED, the undersigned, Allband Communications Cooperative (Borrower), maintaining an address at PO Box 8, Curran, MI 49728 (Borrowers Address) promises to pay to the order of John Reigle (Lender), whose address is PO Box 64, Curran, MI 48728 (Lender's Address), the below added amounts to the principle sum of [REDACTED] (Principal), together with interest of [REDACTED] per year thereon from the date herein.

Amounts Added to Original Loan:

[REDACTED]

Ron V. Siegel 12/11/2009

Ron Siegel, General Manager

Allband Communications Cooperative

**AMENDMENT TO INSTALLMENT PROMISSORY NOTE OF \$25,000**

**THIRD AMENDMENT TO PROMISSORY NOTE**

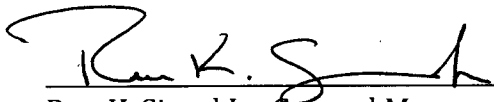
THIS THIRD AMENDMENT (the "Amendment") is made this 16<sup>th</sup> day of JUNE 2010, for a promissory note totaling [REDACTED] signed on August 14, 2009 by and between, the undersigned, Allband Communications Cooperative (Borrower), maintaining an address at 7251 Cemetery Rd. Curran, MI 48728 (Borrower's Address) and [REDACTED]  
[REDACTED]

WITNESSETH:

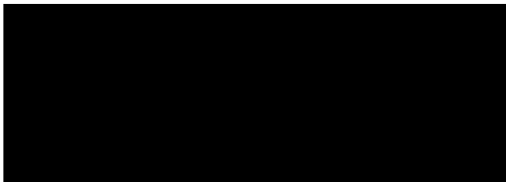
WHEREAS, the Lender and the Borrower have agreed to make certain modifications to the Note:

The accrued interest and principal shall be paid in monthly installments of \$ [REDACTED], with the first payment due on January 1, 2010 and continuing every month thereafter with a like amount on the same date each month.

The full amount of this note; additions to the principle sum totaling \$ [REDACTED] and \$ [REDACTED] as stated in Amendment #2; and all accrued interest is due on December 1, 2011.



Ron K. Siegel Jr., General Manager  
Allband Communications Cooperative (Borrower)



U. S. DEPARTMENT OF AGRICULTURE  
RURAL DEVELOPMENT

SYSTEM DESIGNATION

Michigan 570 Allband

REGISTER NO.

1113

ADVANCE APPROVED

REQUISITION ADJUSTMENT REPORT

TO: Allband Telecommunications Cooperative  
P.O. Box 246  
Hillman, MI 49746

WE ARE ENCLOSING FORM 481, FINANCIAL REQUIREMENT STATEMENT, NO. 16. CUMULATIVE NEW DISBURSEMENTS REPORTED IN COLUMN 5 OF FORM 481 ARE SUBJECT TO FINAL REVIEW AND APPROVAL OF AN REA FIELD ACCOUNTANT.

TRANSACTIONS NOT APPROVED AS REQUESTED ARE EXPLAINED BELOW:

ITEM	EXPLANATION	AMOUNT REQUESTED	AMOUNT APPROVED	DIFFERENCE
	Funds are approved for advance as shown in Column 5.			
8.b.	The items marked with asterisk have been transferred to Closed Budget - Audited in accordance with the field accountant Loan Fund Audit as of April 30, 2009.			
2.d.	<u>Post Loan Eng. Contract A-12E</u> Advanced requested increased to total approved for advanced.			
5.	<u>Operating Funds</u> Reduced to \$0 amount requested. Reserves depleted.			
	Enclosure			
	cc: Official File-NDEB(MI570-Allband) GFR-Mellom PASD:NRAB(FA) RD:TP:NDEB:Dreeves:dr:06/29/2010 OR			

*Bruce Loefer*  
CHIEF, NORTHERN DIVISION ENGINEERING BRANCH  
TELECOMMUNICATIONS PROGRAM

6/29/10  
DATE

USDA - RURAL DEVELOPMENT FINANCIAL REQUIREMENT STATEMENT (REA; FFB) INST. - Submit an original & 2 copies to REA. See Bul. 327-1.			ELECTRONIC FORM NOT OMB APPROVED				
RE A USE ONLY		BORR. DESIG.		STATEMENT NO.	DATE PREPARED		
		MI-570-A ✓		16 ✓	1/15/10		
		Borrower Name and Address Allband Communications Cooperative ✓ P.O. Box 8 ✓ Curran, MI 48728 ✓					
DATE RECEIVED 2/16/10	REA NUMBER 1113	AMOUNT ENCUMBERED		TOTAL ADVANCES TO DATE (3)	ADVANCES NOW REQUESTED (4)	RE A USE ONLY ADVANCES CURRENTLY APPROVED (5)	TOTAL DISBURSEMENTS & CREDITS AS OF 1/15/10 (6)
APPROVED PURPOSES (Use Supplemental Sheets as necessary)	RE A USE ONLY WITHHELD ON CONTRACT (1)	TOTAL APPROVED FOR ADVANCE (2)					

**CERTIFICATION**

On behalf of the designated borrower, I request that the amount set forth as "Advances Now Requested" (Item 12, Col. 4 above) be advanced under the loan contract "Loan contract" includes in addition to the REA and RTB loan contracts, the Federal Financing Bank - REA Loan Commitment Agreement, and the related Commitment Notice and correspondence concerning loan terms and conditions. I certify that the amount so requested is for a purpose or purposes for which funds have either been approved for advance or for which approval is requested herewith; that the amount advanced will be deposited in the Trustee, REA Construction Fund account of the Corporation in the Bank of Alpena ✓ bank, which is a member of the FDIC; that loan and other funds required to be deposited in such bank account will be disbursed only for the purposes and not to exceed the amounts approved for each purpose in Column (2) "Total Approved For Advance" of the Financial Requirement Statements; that the cash balance shown hereon is the balance of the Construction Fund-Trustee account of the general Ledger as of 1/15/10 ; and that the disbursements reported in Column (6) were made in the amounts stated for each purpose; all in accordance with the provisions of the loan contract.

SIGNATURE (ORIGINAL MUST APPEAR ON EACH PAGE) 	TITLE (Authorized Corporate Officer or Manager) <p style="text-align: center;"><b>GENERAL MANAGER</b></p>
---	--

REA FORM 481 (Computer Generated Copy)
Send 2 original signed copies to USDA-RDUP-Telecommunications

ALLBAND COMMUNICATIONS COOPERATIVE  
STATEMENT OF PROJECTED REVENUE AND EXPENSES  
For the 12 months ended December 31, 2012 and 2013

	2012	2013
OPERATING REVENUES:		
Service Revenue	\$ [REDACTED]	\$ [REDACTED]
Other Revenue	[REDACTED]	[REDACTED]
Total Operating Revenue	\$ [REDACTED]	\$ [REDACTED]
OPERATING EXPENSES:		
Access Expense	\$ [REDACTED]	\$ [REDACTED]
Customer Operations	[REDACTED]	[REDACTED]
Customer Services Expense	[REDACTED]	[REDACTED]
General & Administration Expense	[REDACTED]	[REDACTED]
Total Operating Expense	\$ [REDACTED]	\$ [REDACTED]
OPERATING INCOME (LOSS)	\$ [REDACTED]	\$ [REDACTED]

For Management Purposes Only